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 MERCER COUNTY  
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*Ann Regan*

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By: Eleanor Heck  
 Deputy Attorney General  
 (609) 292-7669

SUPERIOR COURT OF NEW JERSEY  
 CHANCERY DIVISION-MERCER COUNTY  
 DOCKET NO.

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STEVEN M. GOLDMAN, )  
 COMMISSIONER OF THE )  
 DEPARTMENT OF BANKING AND )  
 INSURANCE OF NEW JERSEY, )  
 )  
 Plaintiff, )  
 )  
 v. )  
 )  
 CONSUMER FIRST INSURANCE )  
 COMPANY, )  
 )  
 Defendant. )

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Civil Action

ORDER OF REHABILITATION

This matter having been opened to the Court by Anne Milgram, Attorney General of New Jersey, by Eleanor Heck, Deputy Attorney General, as attorney for plaintiff, Steven M. Goldman, Commissioner of the Department of Banking and Insurance of the State of New Jersey (the "Commissioner"), by way of Verified Complaint and Order to Show Cause filed on February 11, 2009, directing the defendant to appear and show cause why an Order should not be entered (a) declaring Consumer First Insurance Company ("Consumer First") to be in such condition that further

transaction of business will be hazardous to its policyholders, creditors or the public and directing the Commissioner to rehabilitate Consumer First, and (b) granting such injunctive and other relief as may be necessary to accomplish said directive, with a hearing having been held on the Order to Show Cause on April 22, 2009, with proper notice having been given to the defendant, and the Court having reviewed the proof of service and proof of notice to interested parties, and the Court having reviewed the papers in support of the Commissioner's application, and Consumer First having consented to the entry of the within order of rehabilitation, the Court hereby finds that:

1. Consumer First is a New Jersey domiciled property and casualty insurer licensed to transact insurance business in New Jersey since January 2, 2002, and is governed by the provisions of N.J.S.A. 17:17-1 et seq.

2. This Court has original jurisdiction over this delinquency proceeding pursuant to N.J.S.A. 17:30C-2.

3. Consumer First is in such condition that further transaction of business will be hazardous to subscribers, creditors and the public. To protect subscribers, creditors and the public, Consumer First must be placed in rehabilitation. Consumer First consents to the entry of this Order of Rehabilitation.

4. Sufficient grounds exist under N.J.S.A. 17:30C-1 et seq., for the entry of an order of rehabilitation, and such an

Order of Rehabilitation should be entered pursuant to N.J.S.A.  
17:30C-1.

IT IS, therefore, on this 22nd day of April, 2009,  
ORDERED as follows:

1. The application of the Commissioner is hereby granted.

2. The Commissioner and his successors in office are hereby appointed Rehabilitator of Consumer First and are vested, in addition to the powers set forth herein, with all the powers and authority expressed or implied under the provisions of N.J.S.A. 17:30C-1 et seq. The Rehabilitator may do all the acts necessary and appropriate for the accomplishment of the rehabilitation of Consumer First. The Rehabilitator may appoint a Deputy Rehabilitator to assist him in accomplishing the directives of this Order. The Deputy Rehabilitator shall, subject to the approval of the Rehabilitator, be entitled to exercise all of the powers and authority vested in the Rehabilitator pursuant to this Order and applicable law and shall serve at the pleasure of the Rehabilitator. Compensation of the Deputy Rehabilitator shall be set by the Rehabilitator, and paid out of the funds and assets of Consumer First. The Deputy Rehabilitator shall have no personal liability for his acts or omissions in connection with his duties as Deputy Rehabilitator provided that such acts or omissions are undertaken or committed in good faith and without willful

misconduct, or willful, wanton or gross negligence or criminal intent. The Deputy Rehabilitator shall not be deemed to be an employee of the State of New Jersey and thus, shall not be subject to the provisions of the New Jersey Tort Claims Act, N.J.S.A. 59:1-1 et seq. All expenses and costs incurred by the Deputy Rehabilitator in connection with lawsuits against him in his personal capacity shall, subject to the prior written approval of the Commissioner and the court, be paid out of the funds and assets of Consumer First provided that such lawsuits are not the result of any bad faith, willful misconduct, gross negligence or criminal actions on the part of the Deputy Rehabilitator.

3. The Rehabilitator is hereby directed to immediately begin conducting the business of Consumer First, and to begin taking such steps as the Rehabilitator or his designee may deem appropriate toward removing the cause and conditions that have made rehabilitation necessary, as well as exploring the option of liquidation. The Rehabilitator is hereby authorized to take such necessary steps as he may deem appropriate to protect and preserve the assets of Consumer First.

4. The Rehabilitator is hereby vested with title to all assets, including but not limited to any of Consumer First's contracts, causes of action, books, records, bank accounts, certificates of deposits, funds, securities or other funds and all real or personal property of any nature, including furniture,

fixtures and office supplies, wherever located, including such property of Consumer First which may be discovered hereafter, and is hereby directed to take immediate and exclusive possession and control of same. The filing or recording of this Order with the Clerk of this Court and with the recorder of deeds of the jurisdiction in which Consumer First's offices are located or, in the case of real estate, with the recorder of deeds of the jurisdictions where the properties are located, shall impart the same notice as would be imparted by a deed, bill of sale, or other evidence of title filed or recorded. Except as otherwise indicated elsewhere in this Order, and upon notice provided by the Rehabilitator, all agents and brokers and all other persons or entities holding funds, assets or property of or on behalf of Consumer First shall forthwith file an accounting of those funds, assets or property with the Rehabilitator and shall, within 10 days of the service of this Order, turn said funds, assets or property over to the Rehabilitator.

5. Until further order of this Court, no obligation of Consumer First nor any claim of any nature shall be paid except those which in the discretion of the Rehabilitator are necessary to conduct the business of Consumer First pursuant to the within proceeding. Consumer First and its directors, trustees, officers, employees, agents or representatives are hereby enjoined, restrained and prohibited from paying any claims or obligations of

Consumer First without the express written consent or directive of the Rehabilitator or his designees or appointees.

6. All persons, corporations, partnerships and all other entities, wherever located, are hereby enjoined and restrained from interfering in any manner with the Rehabilitator's possession, title and rights to the assets and property of Consumer First and from interfering in any manner with the conduct of the rehabilitation of Consumer First. Those persons, corporations, partnerships, and all other entities are hereby permanently enjoined and restrained from wasting, transferring, selling, concealing, destroying, disbursing, disposing of, or assigning any assets, contracts, causes of action, funds, or other property of any nature of Consumer First.

7. The Rehabilitator may change to his own name the name of Consumer First's accounts, funds or other property or assets held with any bank, savings and loan association or other financial institution, wherever located, and may withdraw such funds, accounts, and other assets from such institutions or take any lesser action necessary for the proper conduct of the rehabilitation.

8. All secured creditors or parties, lienholders, collateral holders or other persons claiming secured, priority or preferred interests in any property or assets of Consumer First, including any governmental entity, are hereby permanently enjoined

from taking any steps whatsoever to transfer, sell, encumber, attach, dispose of or exercise purported rights in or against any property or assets of Consumer First.

9. All officers, directors, trustees, shareholders, policyholders, agents, and employees of Consumer First and all other persons or entities of any nature, including but not limited to claimants, reinsurers, plaintiffs, petitioners and any governmental agencies having claims of any nature against Consumer First, including crossclaims, counterclaims and third party claims, are hereby enjoined and restrained from:

(a) Conducting any portion or phase of the business of Consumer First unless so authorized by the Rehabilitator or his designee;

(b) Pursuing litigation against Consumer First, including bringing, maintaining or further prosecuting any action at law or equity, arbitration, special, or other proceeding against Consumer First or against the Commissioner and his successors in office as Rehabilitator thereof, or against the Deputy Rehabilitator appointed pursuant to paragraph 2 above;

(c) Making or executing any levy upon the property of Consumer First;

(d) Instituting, maintaining or further presenting any suit at law or equity or any collection activity, or any other proceeding of any nature against any policyholder or insured of

Consumer First resulting from Consumer First's financial condition or the failure of Consumer First to pay any claim or to meet any of its contractual obligations due to its financial impairment;

(e) Interfering in any way with the Rehabilitator, or any successors in office, in his possession of or title to the property and assets of Consumer First, or in the discharge of his duties pursuant to this Order. All persons or entities of any nature, other than the Rehabilitator, are hereby restrained from commencing, maintaining or further prosecuting any direct or indirect actions against any reinsurer of Consumer First for proceeds of reinsurance policies issued to and treaties or other agreements with Consumer First.

10. Consumer First, its officers, directors, policyholders, agents and employees, and all other persons or entities of any nature, having any property or records belonging to Consumer First, or pertaining to the business of Consumer First or its direct and indirect insurance subsidiaries, including data processing information and records of any kind, are hereby directed to assign, transfer and deliver to the Rehabilitator all of such property in whatever name the same may be, and any persons, firms or corporations having any books, papers or records relating to the business of Consumer First or its direct and indirect insurance subsidiaries shall preserve the same and submit these to the Rehabilitator for examination at all reasonable times.



11. In addition to the powers set forth at N.J.S.A. 17:30C-1 et seq., the Rehabilitator shall have the power:

(a) to conduct the business of Consumer First under the general supervision of the Court;

(b) to honor, as expenses of administration, all expenses heretofore incurred by the Commissioner as Administrative Supervisor, or by his designees and appointees, which currently remain unpaid;

(c) to pay from the funds or assets of Consumer First or from such other funds that may become available to him all expenses of marshaling, taking possession of, conserving, conducting, liquidating, disposing of or otherwise dealing with the business and property of Consumer First;

(d) to collect all debts and monies due and claims belonging to Consumer First, wherever located, where economically feasible and for these purposes:

(i) to institute and maintain timely actions in other jurisdictions, in order to forestall garnishment and attachment proceedings against such debts;

(ii) to do such other acts as are necessary or expedient to marshal, collect, conserve or protect any of Consumer First's assets or property, including the power to sell, compound, compromise

or assign debts for purposes of collection upon such terms and conditions as he deems appropriate, and the power to initiate and maintain actions at law or equity or any other type of action or proceeding of any nature, in this and other jurisdictions;

(iii) to pursue any creditor's remedies available to enforce the Rehabilitator's claims;

(e) to conduct public and private sales of the assets and property of Consumer First, including any real property;

(f) to acquire, invest, deposit, hypothecate, encumber, lease, improve, sell, transfer, abandon, or otherwise dispose of or deal with any asset or property of Consumer First, and to sell, reinvest, trade or otherwise dispose of any securities or bonds presently held by Consumer First, upon such terms and conditions as the Rehabilitator deems to be fair and reasonable, irrespective of the value at which such property was last carried on the books of Consumer First. The Rehabilitator shall also have the power to execute, acknowledge and deliver any and all deeds, assignments, releases and other instruments necessary or proper to effectuate any sale of property or other transaction in connection with the rehabilitation;

(g) upon approval of the Court, to borrow money on the pledge of assets of Consumer First with or without security and to

execute and deliver all documents necessary to that transaction for the purpose of facilitating the rehabilitation. Neither the Commissioner nor his designees or appointees shall be held liable in their official or personal capacities for any loans made for such purposes;

(h) to enter into such contracts as are necessary to carry out this Order, and to affirm or disavow any contracts to which Consumer First is a party;

(i) to institute and to prosecute, in the name of Consumer First or in his own name, any and all suits and other legal proceedings; to defend suits to which Consumer First or the Rehabilitator is a party, in this State or elsewhere, commenced prior or subsequent to this Order; to abandon the prosecution or defense of suits, legal proceedings and claims which he deems inappropriate to pursue further; and to compromise suits, legal proceedings or claims on such terms and conditions as he deems appropriate;

(j) to prosecute any action that, in his discretion, may exist on behalf of the creditors, policyholders or subscribers of Consumer First against any officer or director of Consumer First or any other person or entity;

(k) to perform such further and additional acts as he may deem necessary or appropriate for the accomplishment of or in aid of the purpose of rehabilitation, it being the intention of

this Order that the aforesaid enumeration of powers shall not be construed as a limitation upon the Rehabilitator or the Deputy Rehabilitator.

12. The Rehabilitator may, at his discretion, as of the date of this Order discontinue the defense of claims, suits and other proceedings, in this State and elsewhere, in which the insureds of Consumer First are parties, including those claims made and suits and proceedings undertaken prior to the date of this Order.

13. The Rehabilitator shall give or cause to be given notice of the entry of this Order as soon as possible by publication in a newspaper of general circulation in the counties in which Consumer First currently has its corporate and administrative offices as well as in the the Newark Star Ledger, the Courier Post, the Trenton Times, the New Jersey Law Journal, and such other newspapers circulated in such locations that the Rehabilitator may deem appropriate. Such publication shall commence within 10 days <sup>or as soon thereafter as practical</sup> of the date of this Order, or as soon as practicable thereafter, and shall be repeated once a week thereafter for two successive weeks.

14. The amounts recoverable by the Rehabilitator from any reinsurer of Consumer First shall not be reduced as a result of this delinquency proceeding, or by reason of any partial payment or distribution on a reinsured policy, contract or claim. Setoffs

shall be allowed between Consumer First and its reinsurer only with the consent of the Rehabilitator. Unless either the insurance contract or an applicable statute provides to the contrary, payment made directly to an insured or other creditor shall not diminish the reinsurer's obligation to Consumer First.

15. (a) Any agent, broker, premium finance company, or any other person, other than the insured, responsible for the payment of a premium, shall be obligated to pay any unpaid premiums, whether earned or unearned, as shown on the records of Consumer First as of the date of entry of this Order. No credit or set-off shall be allowed in favor of such person against his account with Consumer First for the unearned portion of the premium on any canceled contract or policy, unless:

(i) that contract or policy was canceled prior to the entry of this Order; and

(ii) the unearned premium on the canceled contract or policy was in fact refunded or credited to the insured or his or her assigns prior to the entry of this Order.

The Rehabilitator shall also have the right to recover from such person any part of an unearned premium that represents a commission to such person.

(b) All group and individual policyholders of Consumer First shall be obligated to pay any unpaid earned premium

due to Consumer First at any time, as shown on the records of Consumer First.

16. Existing contracts (if any) and other obligations by and between Consumer First and any reinsurer may, at the discretion of the Rehabilitator, be terminated or commutated. Such termination shall be effected by written notice issued by the Rehabilitator addressed to the reinsurer;

17. All further papers filed in these proceedings shall bear the caption and be entitled:

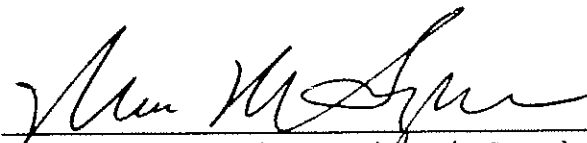
"I/M/O the Rehabilitation of Consumer First Insurance Company"

18. If any provision of this Order or the application thereof is for any reason held to be invalid, the remainder of this order and the application thereof to other persons or circumstances shall not be affected.

19. Any person, corporation or other entity having notice of this order who fails to abide by its terms shall be directed to appear before this Court to show good cause, if any they may have, as to why they should not be held in contempt of Court for violation of the provisions of this Order.

20. The Commissioner as Rehabilitator may at any time make further application for such additional and different relief as he sees fit.

21. This Court shall retain jurisdiction for all purposes necessary to effectuate and enforce this Order.



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Honorable Maria Mariani Sypek  
Presiding Judge Chancery Division